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FILED

MAR 23 2016

**SECRETARY, BOARD OF
OIL, GAS & MINING**

Attorneys for Utah Division of Oil, Gas and Mining

BEFORE THE UTAH BOARD OF OIL, GAS AND MINING

Notice of Agency Action for an Order
Requiring Hinto Energy, Inc. to Plug and
Reclaim Wells or, in the alternative,
Forfeiting Surety Bonds and Authorizing
the Division to Plug and Reclaim Wells
Located in Sections 14 and 24, Township
21 South, Range 23 East in Grand County.

**STIPULATION FOR JUDGMENT OR
DISMISSAL**

Docket No. 2016-005
Cause No. 222-16

The Division of Oil, Gas and Mining (the Division) and Hinto Energy, Inc. (Hinto)
(collectively, the Parties) enter into the following Stipulation for Judgment or Dismissal (the
Stipulation) on March 23, 2016 (the Effective Date).

RECITALS

1. Hinto is the operator of eight oil and gas wells located in Sections 14 and 24, Township
21 South, Range 23 East in Grand County, Utah as listed in Paragraph 3 of this Stipulation.
2. Hinto became the operator of these wells on March 19, 2014.

3. Vectra Bank, a division of ZB, National Association, holds Certificates of Deposit (CDs) as reclamation sureties for the benefit of the Division for each of the eight wells as follows:

Well Name	API Number	CD amount
Sweetheart 7:	43-019-31420	\$6,000
14-01:	43-019-31450	\$6,000
Little Boy 2:	43-019-31460	\$4,000
Sweetheart 5A:	43-019-31417	\$6,000
Sweetheart 2A:	43-019-31418	\$6,000
Sweetheart 14-02:	43-019-31451	\$8,000
Nuggett 14-4:	43-019-30423	\$15,000
Gibraltar 1:	43-019-31033	\$1,500
Total:		\$52,500

4. On January 11, 2016 the Division filed a Notice of Agency Action (NOAA) which sought an Order from the Board requiring Hinto to bring its wells into compliance.

5. Vectra Bank responded on February 2, 2016, acknowledging that Vectra Bank has “the obligation to disburse the funds of the CD as directed by the Board.” In addition, Vectra Bank confirmed in writing that it does not object to the relief requested by the Division with respect to forfeiting the CDs and requiring Vectra Bank to pay the CDs to the Division if ordered to do so by the Board.

6. On February 24, 2016, Hinto and the Division filed a Stipulation and Joint Motion to Continue Hearing (the Stipulated Continuance). The Board of Oil, Gas and Mining (the Board) approved the Stipulated Continuance and continued the matter to the March 23, 2016 Board hearing. The Stipulated Continuance is attached as Exhibit A.

7. The Stipulated Continuance required Hinto to pay into an escrow account a sum of \$15,000 to be held as additional surety. Hinto placed that amount into an escrow account held by Daniel Sam, Esq. on February 26, 2016.

8. The Stipulated Continuance also required Hinto to remedy specific deficiencies in reporting and work identified on a List of Work. Hinto has completed most, but not all, of the work.

9. The Stipulated Continuance also requires the Parties to negotiate a schedule for completing work and/or resolving the issues in the NOAA. This Stipulation memorializes those negotiations.

10. This Stipulation will either lead to dismissal of the matter or, in the alternative, entry of judgment against Hinto to the extent that Hinto fails to complete the work or resolve the issues.

11. Nothing in this Stipulation modifies Hinto's existing obligations under the Utah Administrative Code, including but not limited to Hinto obtaining approval of plugging plans for a well before proceeding with any plugging activity on that well.

12. The Division will expedite review of any documents submitted pursuant to this Stipulation, and in no case will it take longer than seven days to review those submittals.

TERMS AND CONDITIONS

The Parties agree as follows:

13. Hinto will provide sundry reports on all work that has taken place on all eight wells since Hinto became the operator by **March 30, 2016**.

14. Hinto will submit plugging plans for the following wells by **March 30, 2016**:

- 14-01;
- Little Boy 2;
- Sweetheart 2A; and

- Sweetheart 14-02.

15. Hinto will plug and restore all four wells to the Division's satisfaction by **June 6, 2016**.

16. Hinto will submit the results of a Mechanical Integrity Test (MIT) for the Sweetheart 5A and Sweetheart 7 wells by **March 30, 2016**. These MITs must demonstrate to the Division's satisfaction that these two wells have integrity.

17. If the Division agrees that the Sweetheart 5A and Sweetheart 7 wells have integrity, Hinto will either put them online for a gas-to-wire cogeneration project or plug and restore the wells by **July 5, 2016**.

18. If the Division determines that the Sweetheart 5A and Sweetheart 7 wells do not have integrity, Hinto will plug and restore these wells by **June 6, 2016**.

19. If the Division deems plugging and restoration to be complete on a given well, Hinto can begin the process of releasing the CD for that well under Utah Administrative Code Rule 649-3-1.15.

20. Hinto will continue to provide production reports—even if production is zero—for each well until that particular well is plugged and restored to the Division's satisfaction.

21. If and when Hinto meets its obligations in this Stipulation, this matter will be dismissed. If the matter is dismissed, the Division will provide notice to Hinto and Vectra Bank, and seek an order from the Board dismissing the matter.

22. If, at the sole determination of the Division, Hinto fails to meet its obligations in this Stipulation, judgment will be entered automatically against Hinto, without any further hearings before the Board. If judgment is entered against Hinto, all remaining CDs and the \$15,000 surety (collectively, the Remaining Surety) will be forfeited. The Division will provide notice to Hinto

and Vectra Bank, and seek an order from the Board entering judgment against Hinto. The Division will demand the Remaining Surety from Vectra and/or Daniel Sam.

23. On or before **July 5, 2016**, the Division will seek an order from the Board either dismissing the matter or entering judgment against Hinto, depending on whether Hinto has complied with this Stipulation or not.

24. Notwithstanding Utah Administrative Code Rule 649-3-1.16.4.2, if this Stipulation results in automatic entry of judgment against Hinto, the Division will complete plugging and restoration of all Hinto wells that have not already been plugged and restored.

25. If the Remaining Surety is insufficient to cover the full cost of plugging and restoring the wells, the Division will complete the plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the Remaining Surety from Hinto.

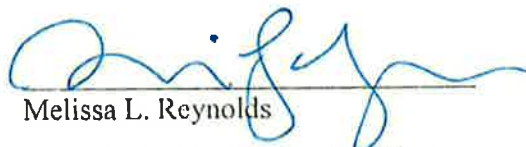
26. This Stipulation does not preclude the Division from seeking remedies from Hinto in the future with respect to the wells that do not get plugged or any future wells drilled in the State of Utah.

Respectfully submitted on the 23rd day of March, 2016.



Daniel S. Sam

Attorney for Hinto Energy, Inc.



Melissa L. Reynolds

Attorney for the Division of Oil, Gas & Mining

Exhibit A

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FEB 24 2016

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**STIPULATION AND
JOINT MOTION TO CONTINUE
HEARING**

Docket No. 2016-005
Cause No. 222-16

The Division of Oil, Gas and Mining (the Division) and Hinto Energy, Inc. (Hinto) (collectively, the Parties) by and through their respective counsel hereby stipulate as follows and jointly move the Board of Oil, Gas and Mining (the Board) to approve this Stipulation and to Order that the hearing of the foregoing matter be continued from February 24, 2016 until the regularly scheduled hearing on March 23, 2016.

This motion is based upon the STIPULATION of the Parties through their respective counsel as follows:

1. Hinto agrees to remedy specific deficiencies in reporting and work at specific wells as identified on a "List of Work" attached hereto prior to the March 23, 2016 hearing.

2. Hinto shall pay into an escrow account held by their attorney Daniel Sam a sum of \$15,000 to be held as additional surety for the completion of the items identified on the "List of Work" and for resolution of the issues identified by the Division in the Notice of Agency Action.

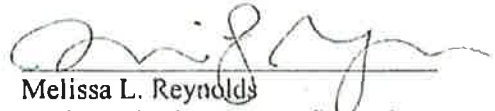
3. The Parties will negotiate and try to agree on a Stipulation to Dismissal or Judgment prior to the March 23, 2016 hearing that will set a schedule for completing work and/or resolving all issues related to the deficiencies set forth in the Notice of Agency Action and thereafter dismissing this action, or in the alternative providing for entry of judgment as requested in the Notice of Agency Action to the extent that Hinto fails to complete the work or resolve those issues; and providing that forfeiture of the bonds and any other relief would be held in abeyance pending the duration of the Stipulation.

4. If the Parties are not able to agree on a Stipulation to Dismissal or Judgment, or the items on the List of Work are not completed prior to March 23, 2016, the Board will proceed with the hearing of the Notice of Agency Action.

Respectfully submitted on the 23rd day of February, 2016.



Daniel Sam
Counsel for Hinto Energy, Inc.



Melissa L. Reynolds
Assistant Utah Attorney General
Utah Division of Oil, Gas and Mining

List of Work

This List of Work is provided as part of the STIPULATION AND JOINT MOTION TO CONTINUE HEARING in the matter of Hinto Energy before the Board of Oil, Gas and Mining, Docket No. 2016-005, Cause No. 222-16. The Division has agreed to file the STIPULATION, and in exchange, Hinto will complete the following actions within 30 days:

For all eight wells:

- Provide updated reports on production—whether the wells have been producing or not—since September 2014; and
- Provide updated sundry notices on any work that has been done on the wells since 2013.

For Nuggett 14-4:

- Clean up the surface of the well site, which includes removing barrels and buckets of oil that remain on site;
- Backfill the pit located at the well; and
- Rebuild or reinforce berms.

For the Gibraltar 1:

- Backfill the pit; and
- Rebuild or reinforce berms.

For the Sweetheart 5A:

- Set ⁹up retrievable bridge plug immediately above the perforations and perform a Mechanical Integrity Test;
- Provide the sundry notice required by Utah Administrative Code Rule 649-3-36, which explains the reasons for shut-in status, the length of time the well is expected to be shut-in, and an explanation and supporting data for showing that the well has integrity;
- Fill the pit located on site; and
- Rebuild or reinforce berms.

For the Sweetheart 2A:

- Clean up the surface, which includes removing a metal stand and other materials on site; and
- Submit plugging plans with a timeline for plugging the well (this well has not produced for at least 6 years), *unless operator can show the well is viable and the integrity of the wellbore supports continued production*

DSS
MR

For the Sweetheart 14-02:

- Backfill the pit on site;
- Set ^aup retrievable bridge plug immediately above the perforations and perform a Mechanical Integrity Test; and
- Provide the sundry notice required by Utah Administrative Code Rule 649-3-36, which explains the reasons for shut-in status, the length of time the well is expected to be shut-in, and an explanation and supporting data for showing that the well has integrity.

For the Sweetheart 7:

- Clean up the surface of the site, which includes backfilling the shallow pit and removing scrap and rods that remain on site;
- Set ^aup retrievable bridge plug immediately above the perforations and perform a Mechanical Integrity Test; and
- Provide the sundry notice required by Utah Administrative Code Rule 649-3-36, which explains the reasons for shut-in status, the length of time the well is expected to be shut-in, and an explanation and supporting data for showing that the well has integrity.

For the 14-01:

- Submit plugging plans with timelines for conducting the work; and
- Backfill the pit on site. *unless operator can show the well is viable and the integrity of wellbore supports continued production,*

DSS
MR

For the Little Boy 2:

- Clean up the surface of the well (which shares a well pad with the Sweetheart 2A);
- Submit plugging plans with timelines for conducting the work; and
- Repair the gas leak. *unless operator can show the well is viable and the integrity of wellbore supports continued production.*

DSS
MR